

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendray
Marshall Johnson
Ken Nickolai
Thomas Pugh
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Northern States Power
Company d/b/a Xcel Energy Request for
Approval of a Power Purchase Agreement with
Ivanhoe Wind Energy LLC

ISSUE DATE: October 4, 2004

DOCKET NO. E-002/M-04-404

ORDER APPROVING POWER PURCHASE
AGREEMENT WITH MODIFICATIONS
AND REPORTING REQUIREMENTS

PROCEDURAL HISTORY

On March 15, 2004, Xcel Energy (Xcel) filed a petition requesting approval of its power purchase agreement (PPA) with Ivanhoe Wind Energy LLC for a 150 MW of wind generation. Xcel asked that the Commission find that the Agreement is reasonable, in the public interest, and subject only to ongoing prudence review through the annual automatic adjustment of charges reports and that Xcel may recover from Minnesota retail customers the Minnesota jurisdictional portion of the amounts incurred by NSP during the full term of this Agreement.

On April 6, 2004, the Commission extended the deadlines for initial and reply comments at the request of the Minnesota Department of Commerce (the Department) to May 14 and May 24, 2004, respectively.

On May 13, 2004, the Department filed comments recommending approval with six modifications and reporting requirements.

On May 24, 2004, Xcel filed reply comments rejecting three of the Department's recommendations: the Department's first recommendation (curtailment), its fourth recommendation (Notice to Proceed), and its sixth recommendation (Security Fund).

On July 23, 2004, the Department filed supplemental comments. The Department stated that Xcel had misunderstood the Department's recommendations, clarified those recommendations, and asked the Commission to approve Xcel's request with the following modifications and reporting requirements, with which it said Xcel agreed:

1. Allow automatic recovery of payments made by Xcel pursuant to Section 7.3, for the curtailment event described under B.I.1, only until the Southwest Minnesota Transmission Project is completed (currently anticipated to be in Fall of 2007) and Midwest Independent System Operator (MISO) has granted NSP Network Integration Transmission Service for the Ivanhoe project.
2. Allow automatic recovery of all reasonable payments made by Xcel pursuant to Section 7.3 for the curtailment events described under B.I.2 and B.I.3 on an ongoing basis.
3. Require Xcel to credit to the fuel clause any compensation it receives from the relevant transmission authority for calling an interruption of the energy generated from the Ivanhoe project during the period that Xcel is recovering curtailment provision costs from ratepayers.
4. Require Xcel to identify in its monthly fuel adjustment report the date, length, cost to ratepayers, and reason for each Voluntary Curtailment associated with the Ivanhoe project. In addition, all such events should be summarized in the Company's annual automatic adjustment (AAA) report in a format to be specified by the Department.
5. Require Xcel to provide a compliance by August 1, 2005 describing the cost/benefit assessment leading to the timing of the Notice to Proceed. This compliance requirement will continue annually thereafter until the Notice to Proceed is given.
6. Require Xcel to seek Commission pre-approval of any revised price Ivanhoe may submit in the absence of PTC (Federal Production Tax Credit) and show that the revised price is competitive with all available alternative resources at the time it seeks approval.

The Commission met on September 9, 2004 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission finds that the parties' revised joint recommendations filed July 23, 2004 are reasonable and appropriate and will accept them with two further modifications.

First, the parties' fourth recommendation will be modified to explicitly authorize the Department to require Xcel to provide additional information in its monthly fuel adjustment report. The additional language reflects the Commission's interest in enabling the Department to carefully monitor the voluntary curtailments associated with the Ivanhoe Project. See Order Paragraph 1(d). At the hearing, Xcel and the Department agreed to this additional language.

Second, the Commission's concern regarding the reasonableness and prudence of curtailment payments under the power purchase agreement (PPA) warrants a specific request to the Department to continue monitoring this activity and report to the Commission. See Order Paragraph 2. At the hearing, Xcel and the Department agreed to this additional language also.

ORDER

1. The Commission hereby approves the power purchase agreement (PPA) between Xcel and Ivanhoe, with the following clarifications and reporting requirements:
 - (a) The Commission authorizes automatic recovery of payments made by Xcel pursuant to Section 7.3, for the curtailment event described under B.I.1, only until the Southwest Minnesota Transmission Project is completed (currently anticipated to be in Fall of 2007) and MISO has granted NSP Network Integration Transmission Service for the Ivanhoe project.
 - (b) The Commission authorizes automatic recovery of all reasonable payments made by Xcel pursuant to Section 7.3 for the curtailment events described under B.I.2 and B.I.3 on an ongoing basis.
 - (c) Xcel shall credit to the fuel clause any compensation it receives from the relevant transmission authority for calling an interruption of the energy generated from the Ivanhoe project during the period that Xcel is recovering curtailment provision costs from ratepayers.
 - (d) Xcel shall identify in its monthly fuel adjustment report the date, length, cost to ratepayers, and reason for each Voluntary Curtailment associated with the Ivanhoe project and any other information requested by the Department. In addition, all such events should be summarized in the Company's annual automatic adjustment (AAA) report in a format to be specified by the Department.
 - (e) Xcel shall provide a compliance by August 1, 2005 describing the cost/benefit assessment leading to the timing of the Notice to Proceed; this compliance requirement will continue annually thereafter until the Notice to Proceed is given.
 - (f) Xcel shall seek Commission pre-approval of any revised price Ivanhoe may submit in the absence of Federal Production Tax Credit (PTC) and show that the revised price is competitive with all available alternative resources at the time it seeks approval.
2. The Commission requests that the Department continue to monitor curtailment payments made by Xcel under the Ivanhoe PPA, and other PPAs that contain similar curtailment payment provisions, through Xcel's monthly and annual automatic adjustment reports, to determine if the use of the curtailment payments is reasonable and prudent. The Commission requests that the Department report back to the Commission on its findings annually, beginning in its review of the Electric Utility AAA report, expected February 2005.

3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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